GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5359
ANSWERED ON:22.12.2000
DELAY IN DEMAT BY COMPANIES
C. KRISHNAN

Will the Minister of FINANCE be pleased to state:

(a) whether the attention of the Government has been drawn to news item `Investors face hard times as company delay demat appearing in Economic Times dated September 12, 2000;

(b) if so, whether the companies are expected to convert its shares from physical form to demat within fifteen days of the shares;

(c) if so, the reasons for which these companies fail to convert these shares in time;

(d) the details of the complaints received by SEBI in this regard with thenames of Companies with number of shares and the amount involved and also action against each company and details thereof; and

(e) the steps are being taken by SEBI to redress these complaints and give relief to the harrassed investors?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

(a) to (c) : SEBI has intimatedthat instances of undue delay in the dematerialisation of shares have been brought to the notice of SEBI. SEBI had issueddirections to the issuer companies/registrars and share transfer agents that all requests for dematerialisation of shares received should be processed within 15 days of its receipt. SEBI has beenannouncing the list of companies along with the effective date for compulsory trading in dematerialised form for all investors from time to time. There is a rush of demat requests from investors immediately after announcement of the effective date, as a result of which the issuer/transfer agents find it difficult to cope with the rush of requests, delaying the processing of demat requests. Other reasons for delay are errors in the dematerialisation request form, defects in the title and intervention of courts on account of pending litigations.

(d) SEBI has intimated that they havereceived around 900 complaints so far pertaining to delay in dematerialisation of shares by more than 200 companies from investors. Most of the investors generally do not mention in their complaints the details pertaining to number of shares and amount involved. As regards M/s Padmini Technologies Ltd., which is mentioned in the news item, according to SEBI, the company hasreceived 4,36,42,275 shares for dematerialisation, out of which 4,29,64,442 shares have been dematerialised. As on 11.12.2000, there are 6,77,833 shares pending dematerialisation. However, none of these shares are pending dematerialisation for more than 15 days.

(e) SEBI has intimated that SEBI has been holding meetings on a monthly basis with the companies unduly delaying the processing of dematerialisation requests, to discuss the reasons for delays and ways and means to clear the backlog of demat pendency. The companies have been warned against reoccurrence of delays beyond the stipulated period.